



# The Role of the FP&A Professional in Today's Environment

# Learning Objectives



Define FP&A and delineate its common roles and responsibilities



Identify where and how FP&A fits into a company's organization



Describe the type of companies that benefit the most from FP&A



Detail the most crucial technical and non-technical FP&A skills

## Course Instructor – Carl Seidman



### **About Carl...**

Carl Seidman is a trusted business advisor specializing in financial planning & analysis (FP&A) and business strategy. As Principal of Seidman Financial, Carl serves as an FP&A advisor, fractional CFO, and management consultant to entrepreneurial businesses throughout North America and Europe and assists them with strategic financial planning, value enhancement, and revitalization.

Carl is a CPA and has earned other professional credentials, including the CIRA, CFF, CFE, CGMA, AM, CSP, Certified Anaplan Model Builder, and was a National Association of Certified Valuators and Analysts 40 Under Forty honoree.

Carl's FP&A development methodologies and curriculums have been implemented by leading organizations as part of their financial leadership development programs (FLDPs) for top talent and emerging leaders.

# What Are the Top FP&A-Related Issues

# Top FP&A Issues

A recent survey produced the following complaints:



Poor measurability of forecast performance and embedded accountability



Lack of effective scenario planning and ability to act quickly



Upskilling across financial, analytical, strategic, and organizational skills

These issues can be addressed with simple solutions like these:

- ✓ Time
- ✓ Effort
- ✓ People
- ✓ Process
- ✓ Technology

# What Is FP&A, and Why Is It Important

# What Is FP&A

FP&A is a corporate function that manages, understands, and interprets data and financial information used for **strategic decision-making** and **problem-solving**.

Ensures managers and business-unit leaders have the data and intelligence they need to make decisions, drive growth, and orchestrate change

Reduces risk exposure and capitalizes on opportunities through reliance on evidence and insights – versus faith in gut instinct

Identifies new opportunities for realization of effectiveness, efficiency, and performance improvement

# What Is FP&A

FP&A is a corporate function that manages, understands, and interprets data and financial information used for **strategic decision-making** and **problem-solving**.



“Some CFOs have even attested that FP&A is one of the most important, yet one of the most **underperforming** functions, not just in finance but in the entire business.”

It's vital for companies to get more out of their finance and FP&A functions.





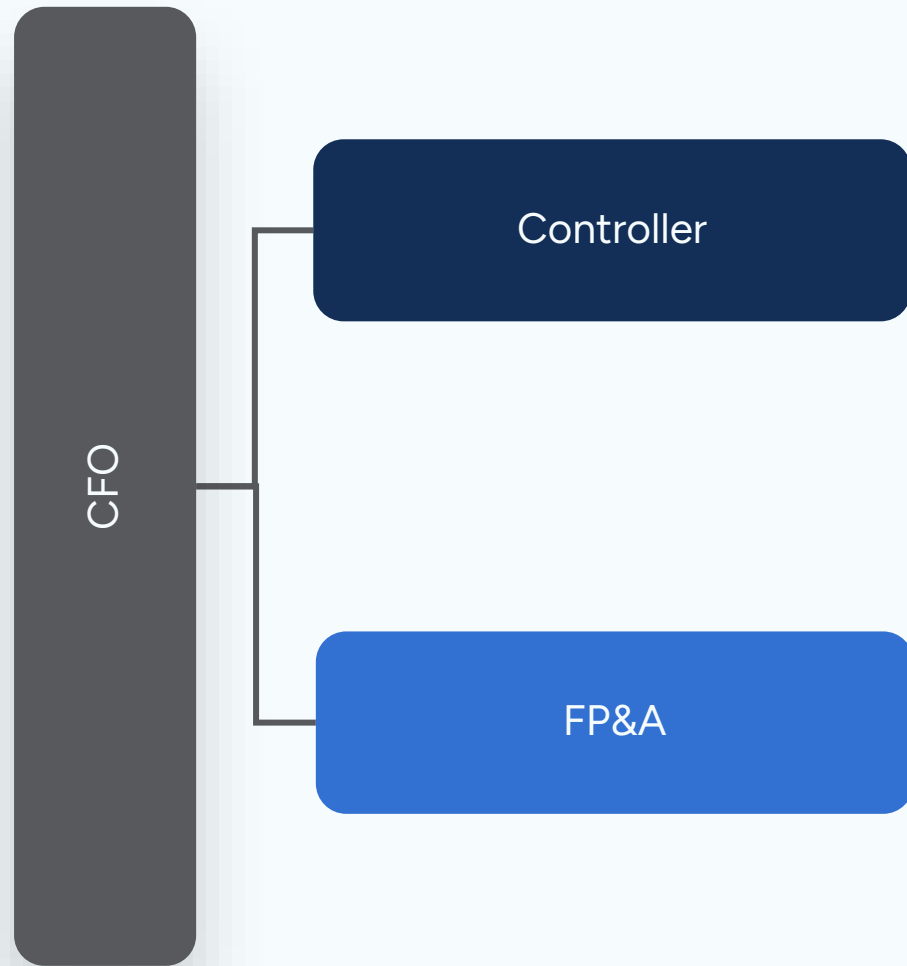
# The Roles of the CFO, Controller, and FP&A

FP&A

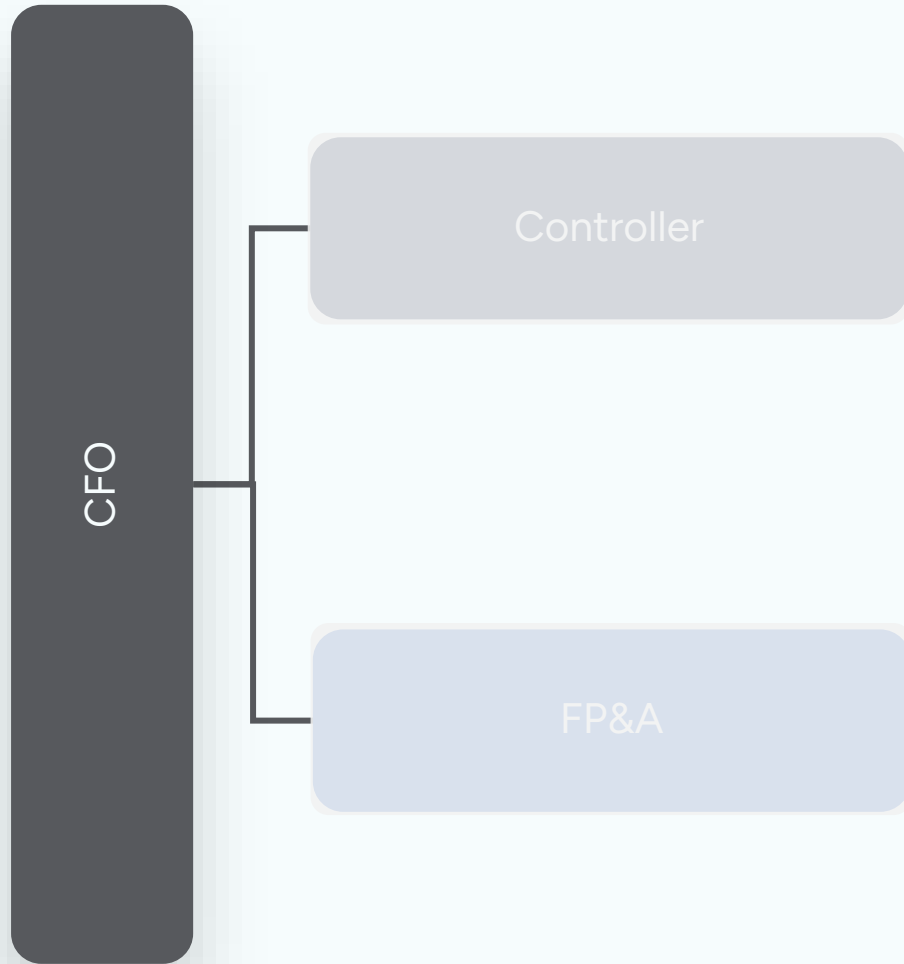
Controller

CFO

# The Roles of the CFO, Controller, and FP&A

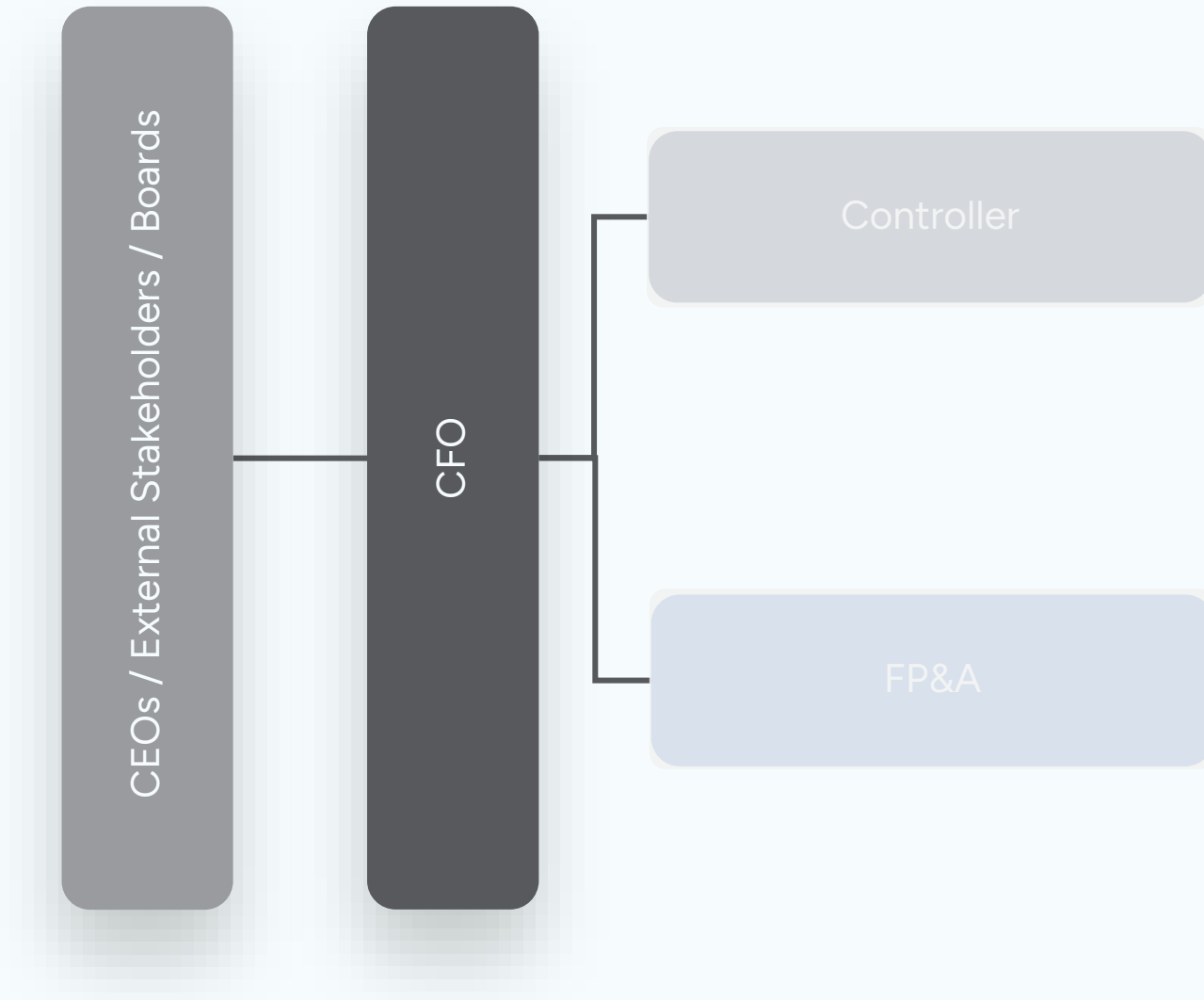


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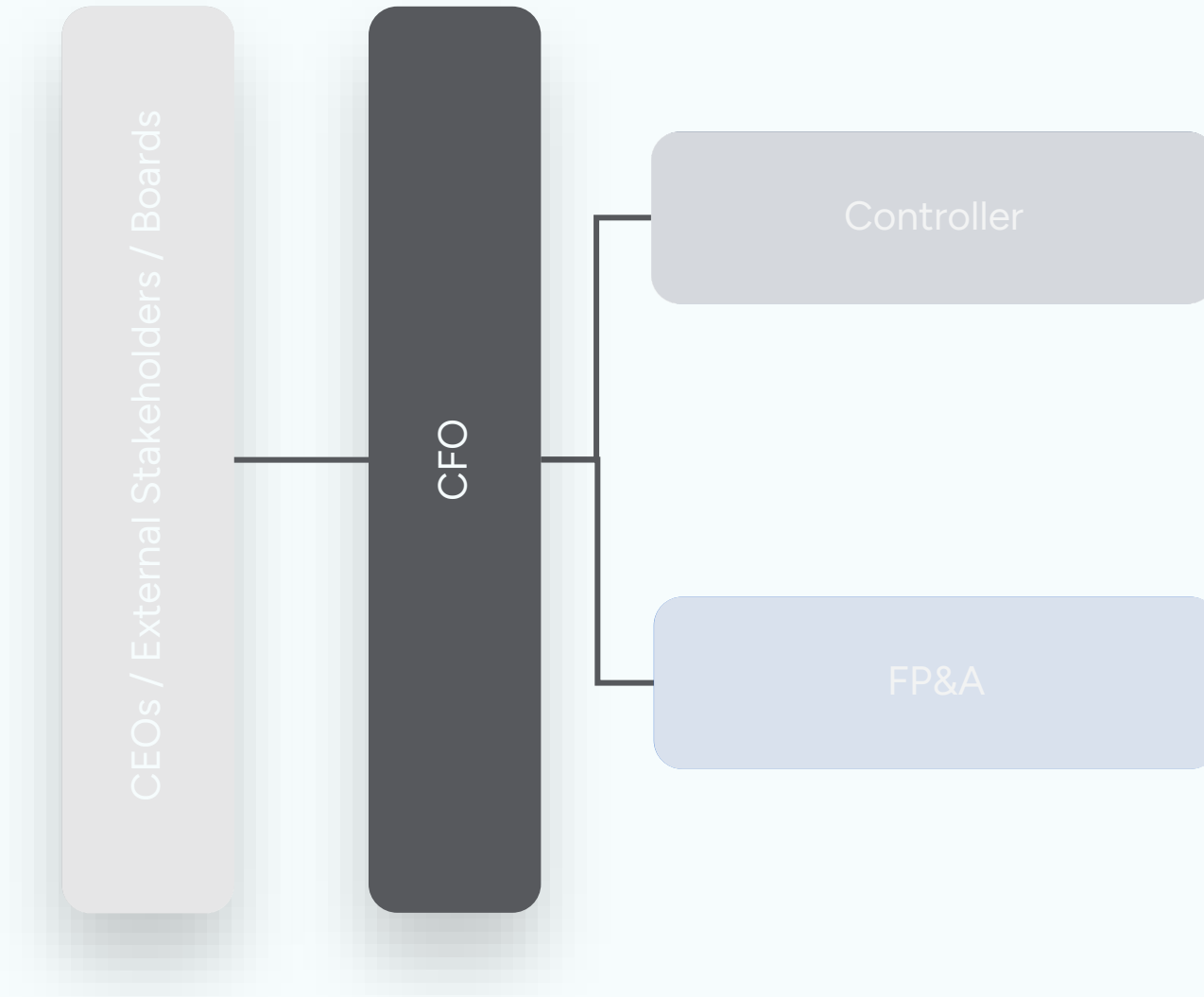


- Financial expert
- Business strategist

# The Roles of the CFO, Controller, and FP&A



# The Roles of the CFO, Controller, and FP&A



Understands how the company operations are tied to its financial performance

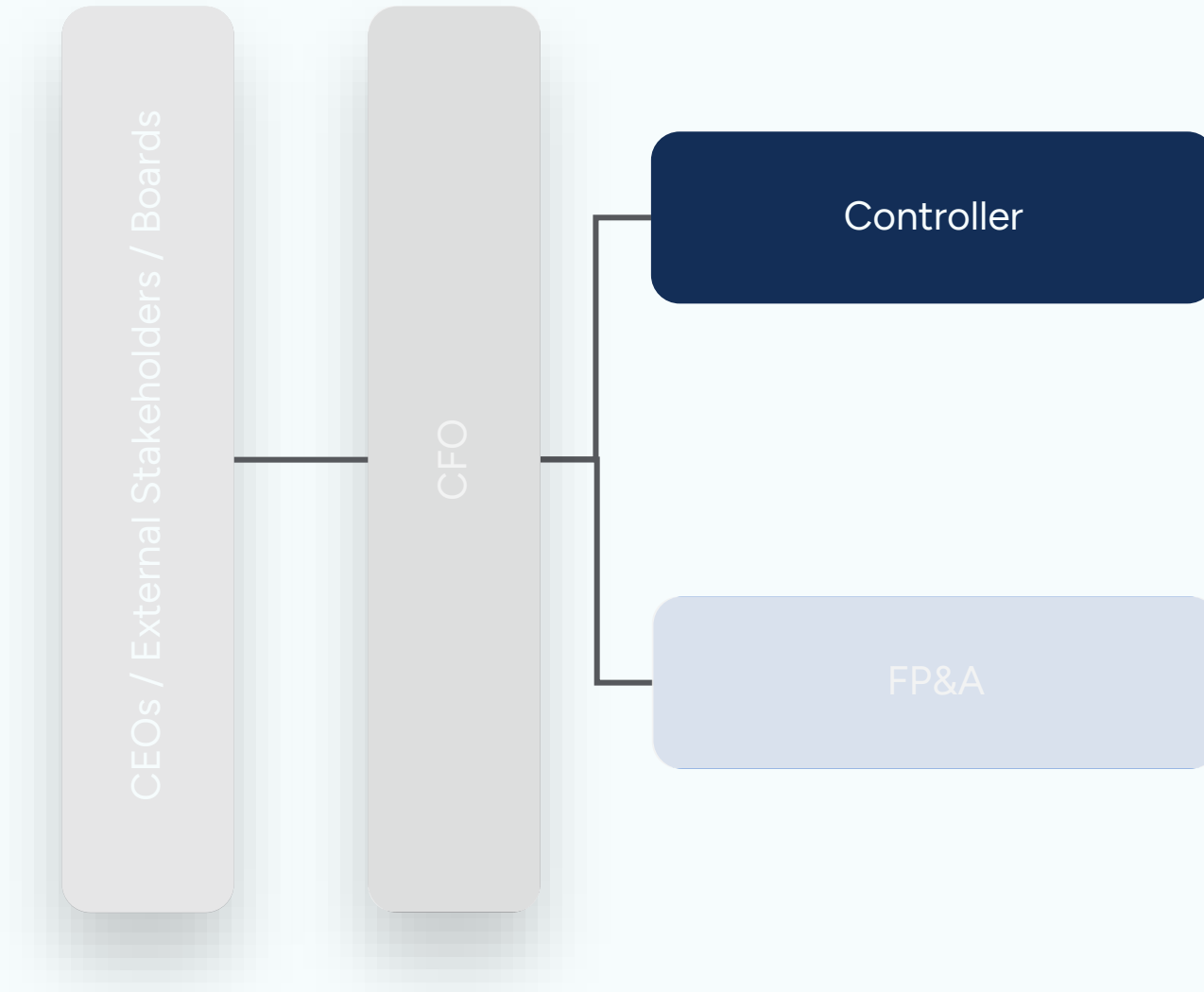


Monitors major projects, expansions, and reorganizations



Aware of key processes and controls within the function, which may be derived from the Controller or Head of FP&A role

# The Roles of the CFO, Controller, and FP&A



Responsible for preparing the financial statements and reports



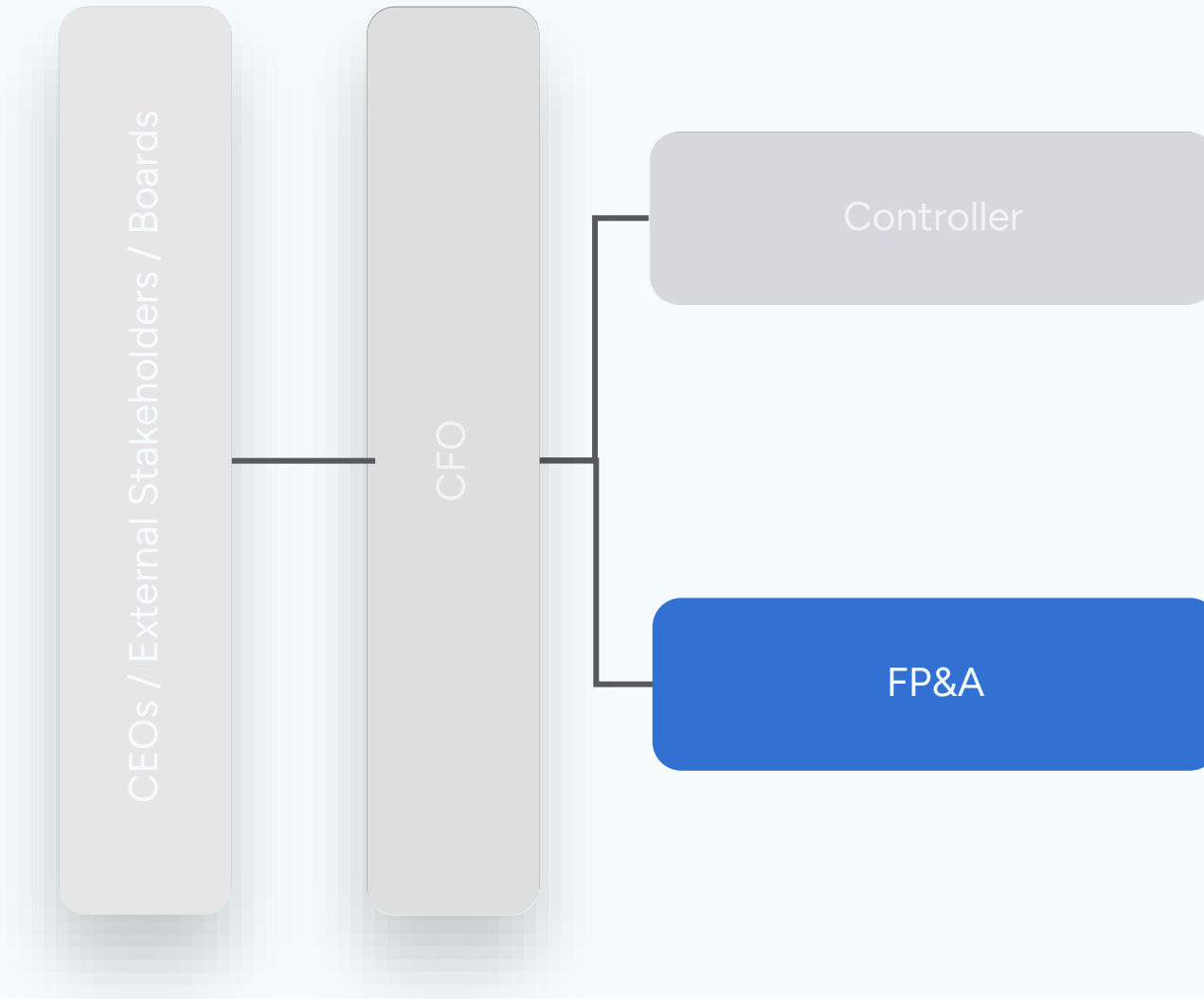
Ensures that financial statements are prepared in compliance

- ✓ The profit and loss statement
- ✓ The balance sheet
- ✓ Statement of cash flows



The Controller can be the go-to person for external auditors, the annual report, taxes, and compliance

# The Roles of the CFO, Controller, and FP&A



Responsible for helping financial and non-financial groups to make better decisions



Focuses more on the strategic plan



Provides data intelligence and support to other departments

# FP&A Reporting Structure



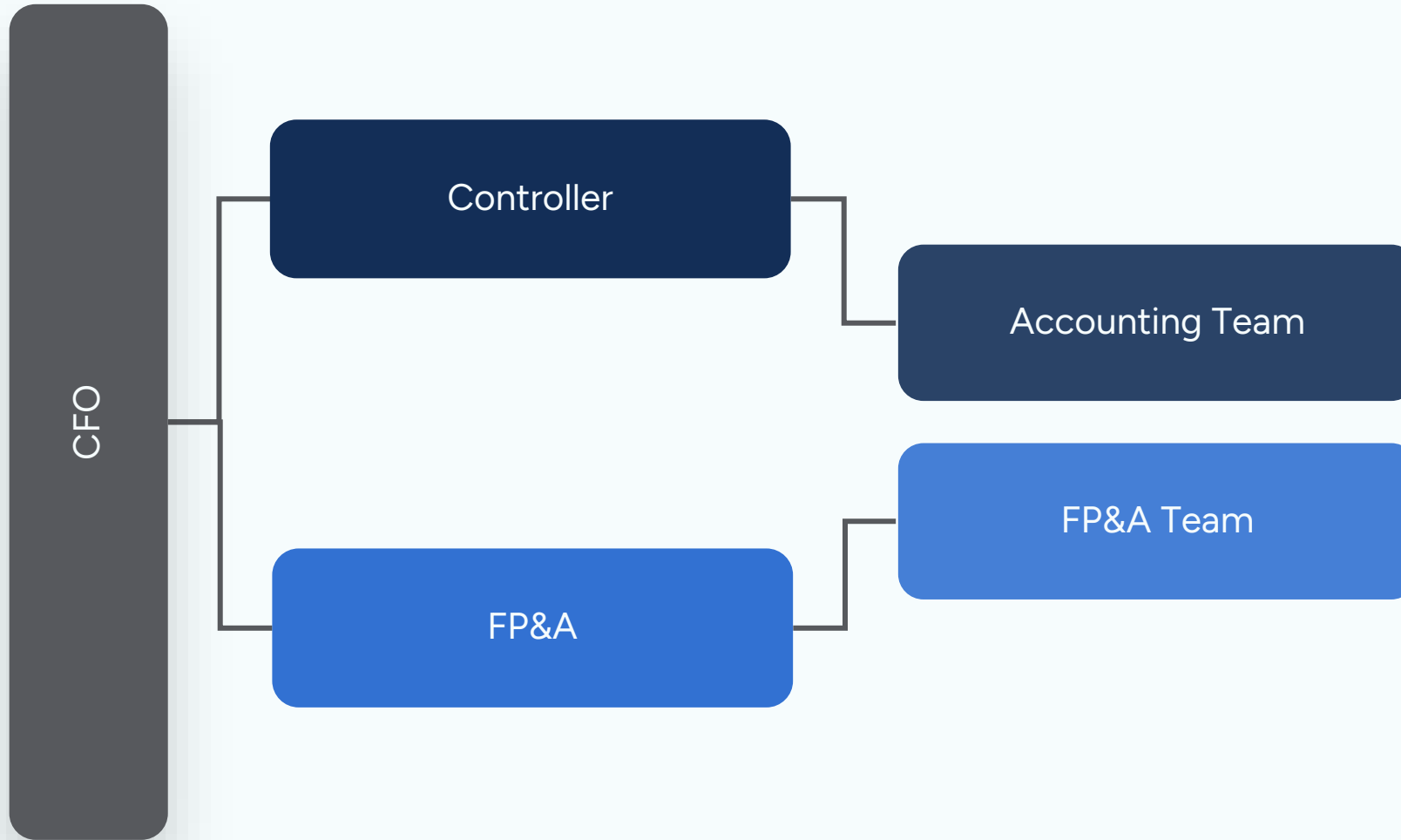
- ✓ Manage customer channel
- ✓ Lead a certain product channel for a specific region
- ✓ Responsible for data analytics, financial forecast, or procurement planning



**The effective FP&A function is one that serves as a liaison to all other functions and segments, and channels within the company.**

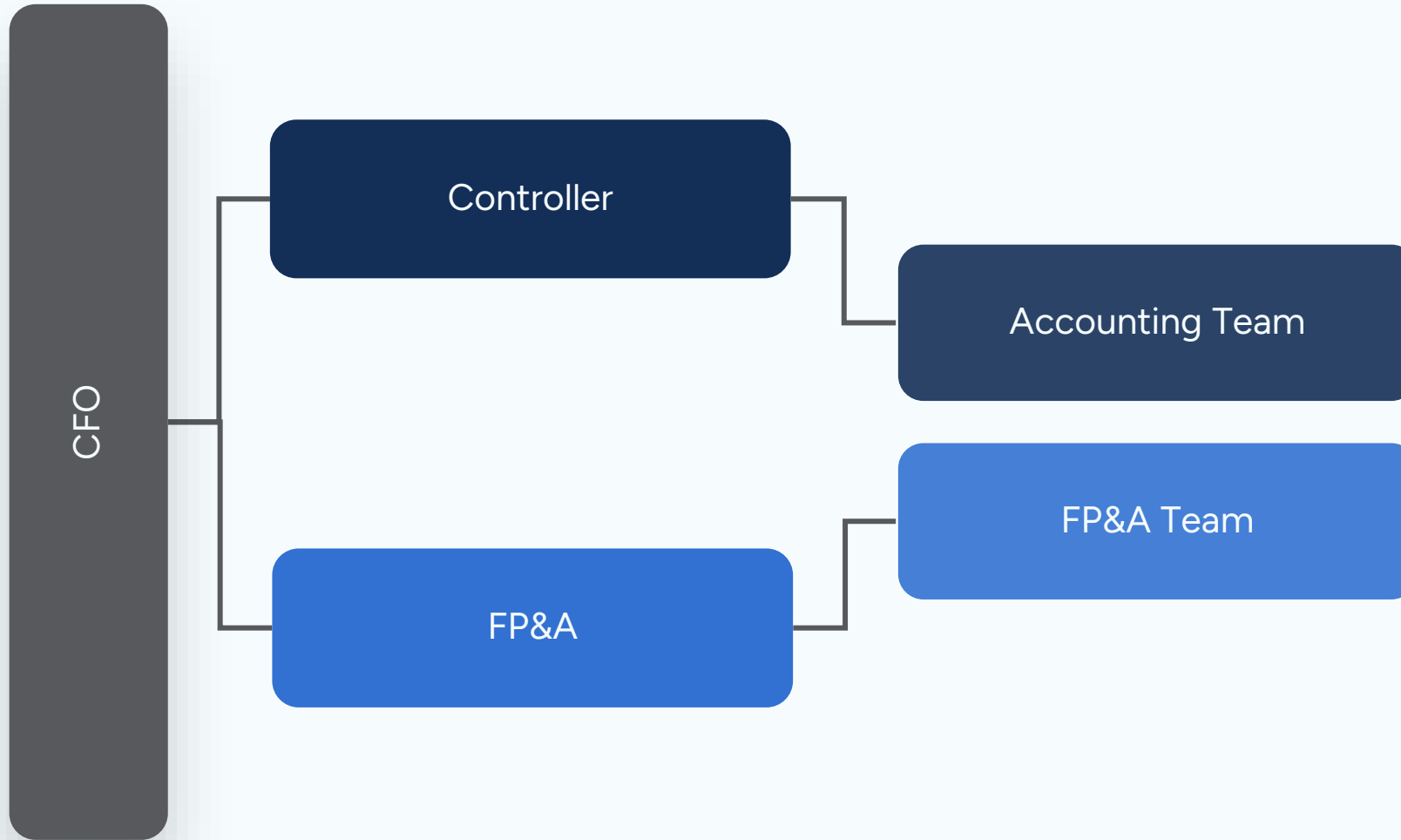


# Executive Oversight of Financial Functions



- Record keeping
- Custodianship
- Financial records
- Accounts receivable/payable
- Budgeting
- Taxes
- Compliance
- Financial reporting
- Financial statements
- Treasury

# Executive Oversight of Financial Functions



- Strategic planning
- Business modeling
- Financial analysis
- Risk management
- Restructuring/reorganization
- Capex and project management
- Forecasting and projections
- Financing negotiations
- External communications
- Transactions and M&A

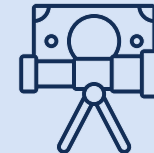
# Select FP&A Focuses



Strategic Operational Planning



Financial Forecasting



# Select FP&A Focuses



# Select FP&A Focuses



Data analytics



Business analytics and intelligence



Financial analysis



Capital project planning



Managerial accounting



Shared data services

# Select FP&A Focuses



Working capital assessment



Customer and channel profitability



Operating performance reporting



Revenue and expense silo reporting



Executive and Board reporting



Financial performance reporting

# The Financial Control Tower



Sales



Human Resources



Marketing



C-Suite



Operations



Procurement



Engineering



Accounting

# The Financial Control Tower



See what's happening  
across the organization



Dispense information to  
all of the company groups



Facilitate the  
exchange of data



# The Financial Control Tower



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# The Financial Control Tower



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# The Financial Control Tower



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Accounting

# Financial and Business Partnership



Sales



Human Resources



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C-Suite



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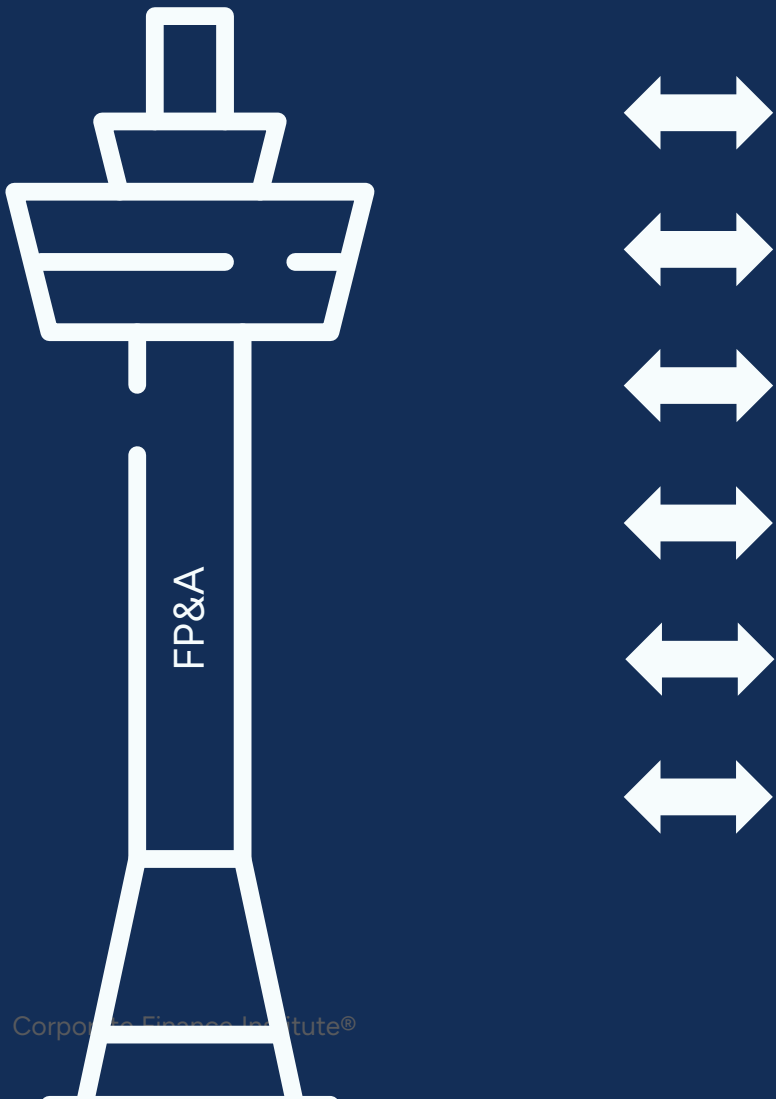


Engineering



Accounting

# Financial and Business Partnership



	Sales
	Human Resources
	Marketing
	C-Suite
	Operations
	Procurement
	Engineering
	Accounting

# **Key Roles and Responsibilities of FP&A**

# Key Roles & Responsibilities of FP&A



# Key Roles & Responsibilities of FP&A



- Annual and quarterly reports speak to the strategic plan at a high level
- The MD&A (Management Discussion and Analysis) explains:
  - ✓ What the company does
  - ✓ Where the company intends to go, and
  - ✓ How the company will get this accomplished

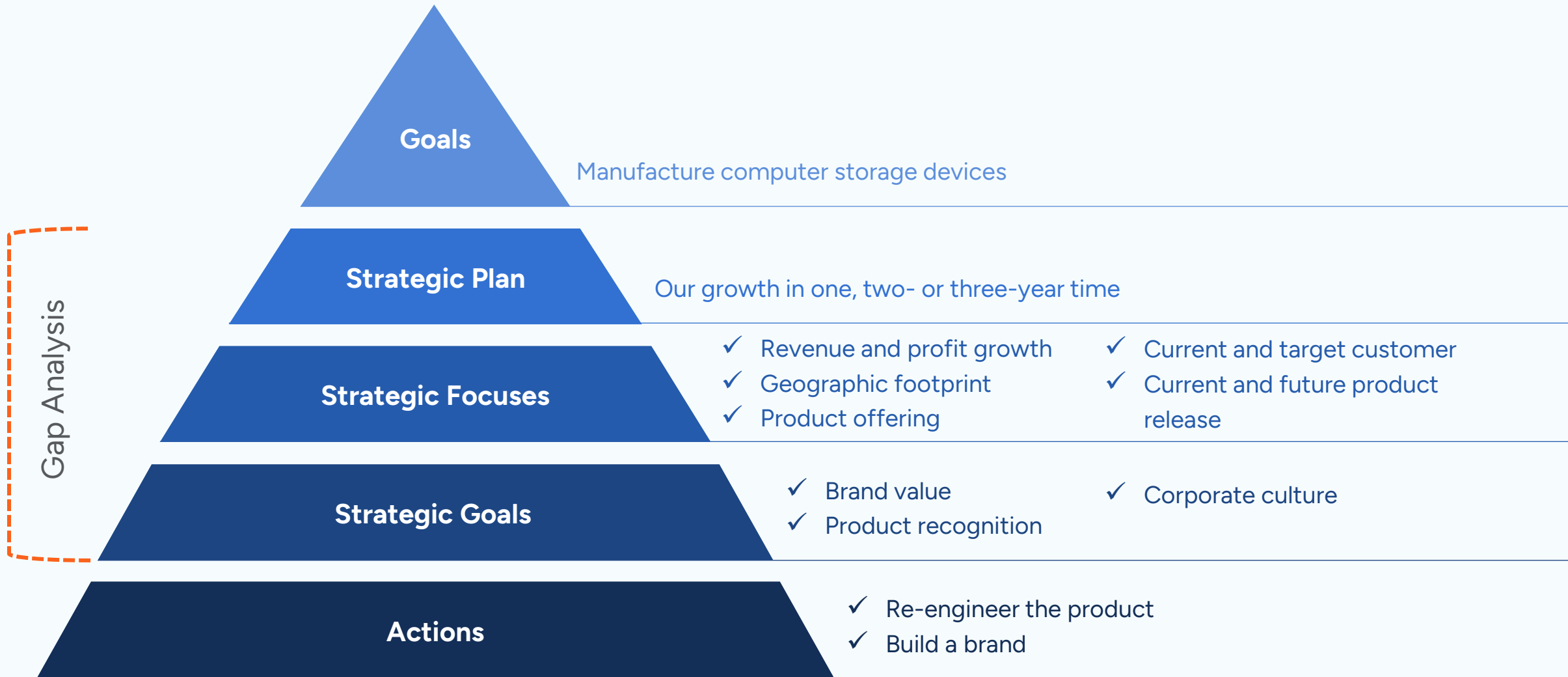


# Key Roles & Responsibilities of FP&A



- Strategic plans range in all kinds of duration:
  - ✓ Five years and longer
  - ✓ As short as a year
  - ✓ Quarterly or monthly

# Strategic Financial Planning and Analysis



# Strategic Financial Planning and Analysis

## FP&A plays a critical role by

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- ✓ Establishing financial targets and monitoring progress
- ✓ Identifying the KPIs to ensure the company stays on track

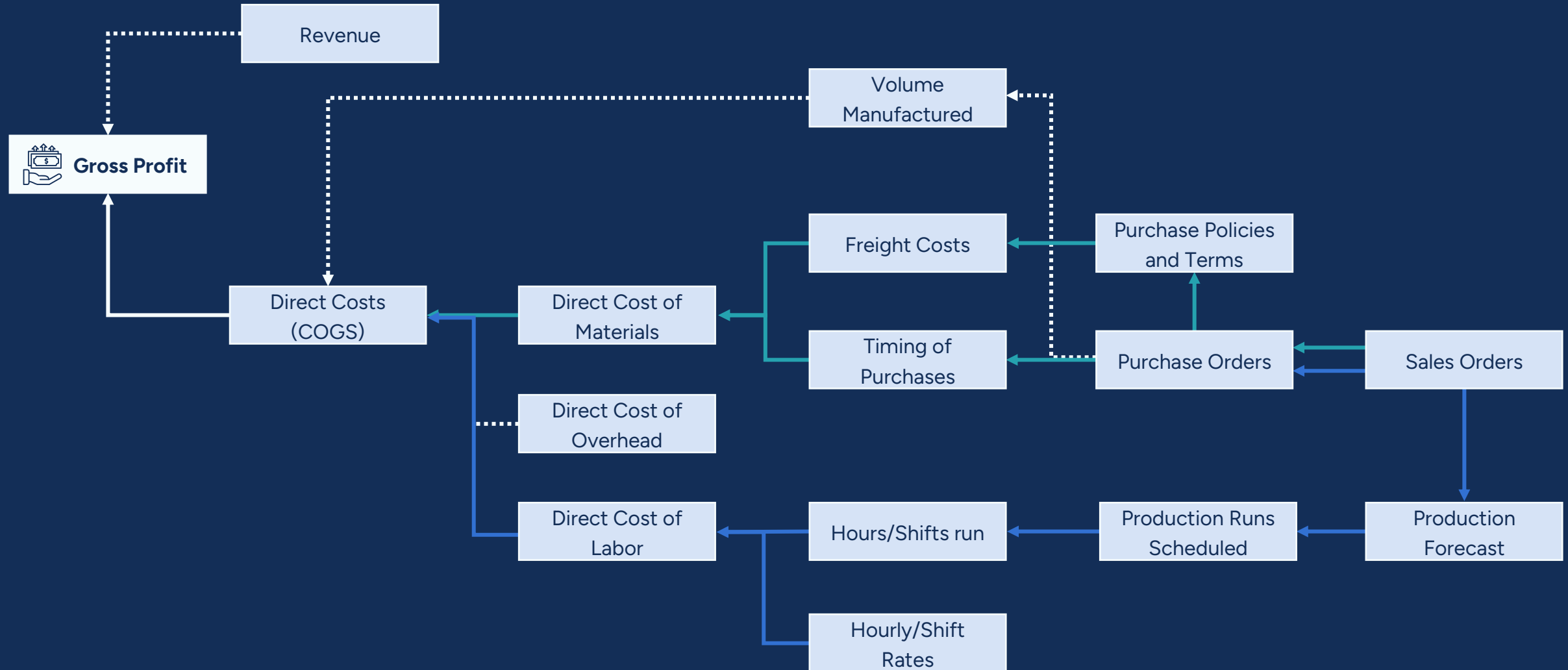
## If the company is not on track

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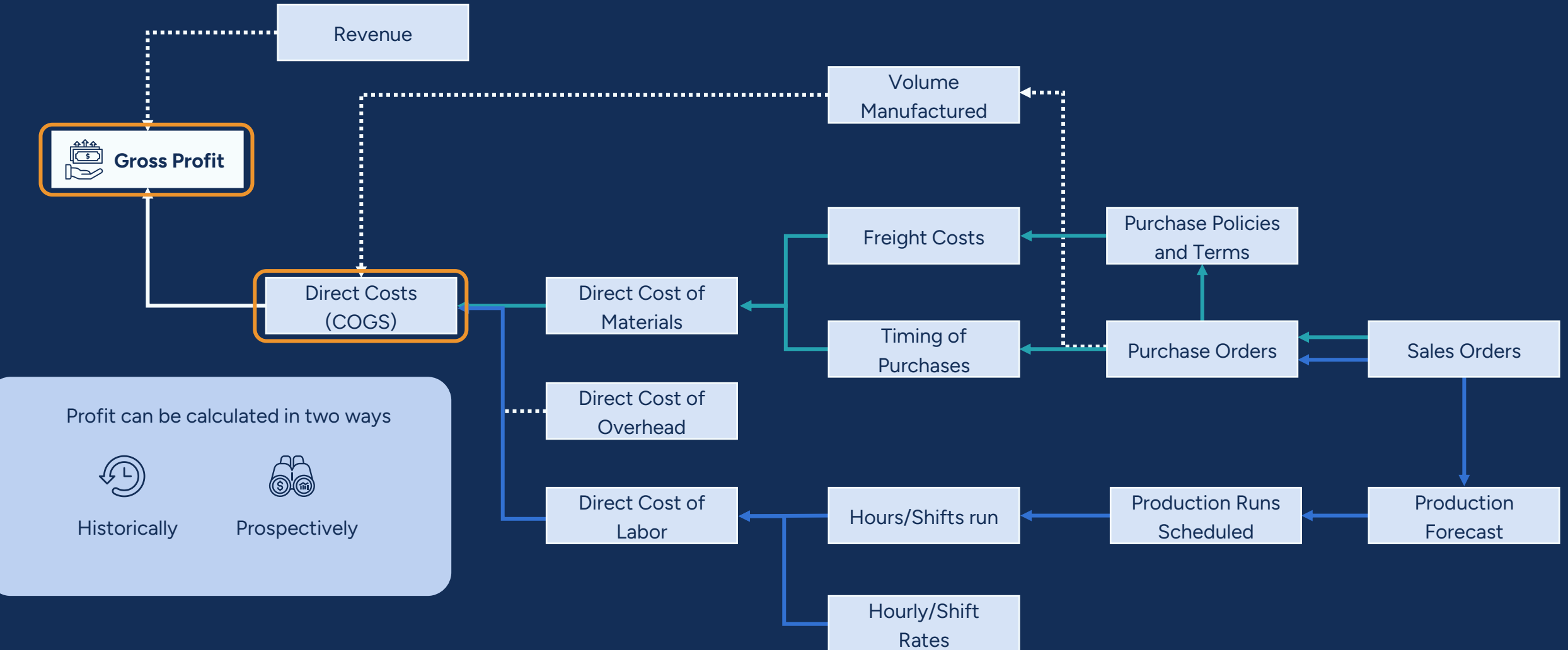
FP&A will be responsible for identifying the ROI and ensuring the company's realignment to staying on track



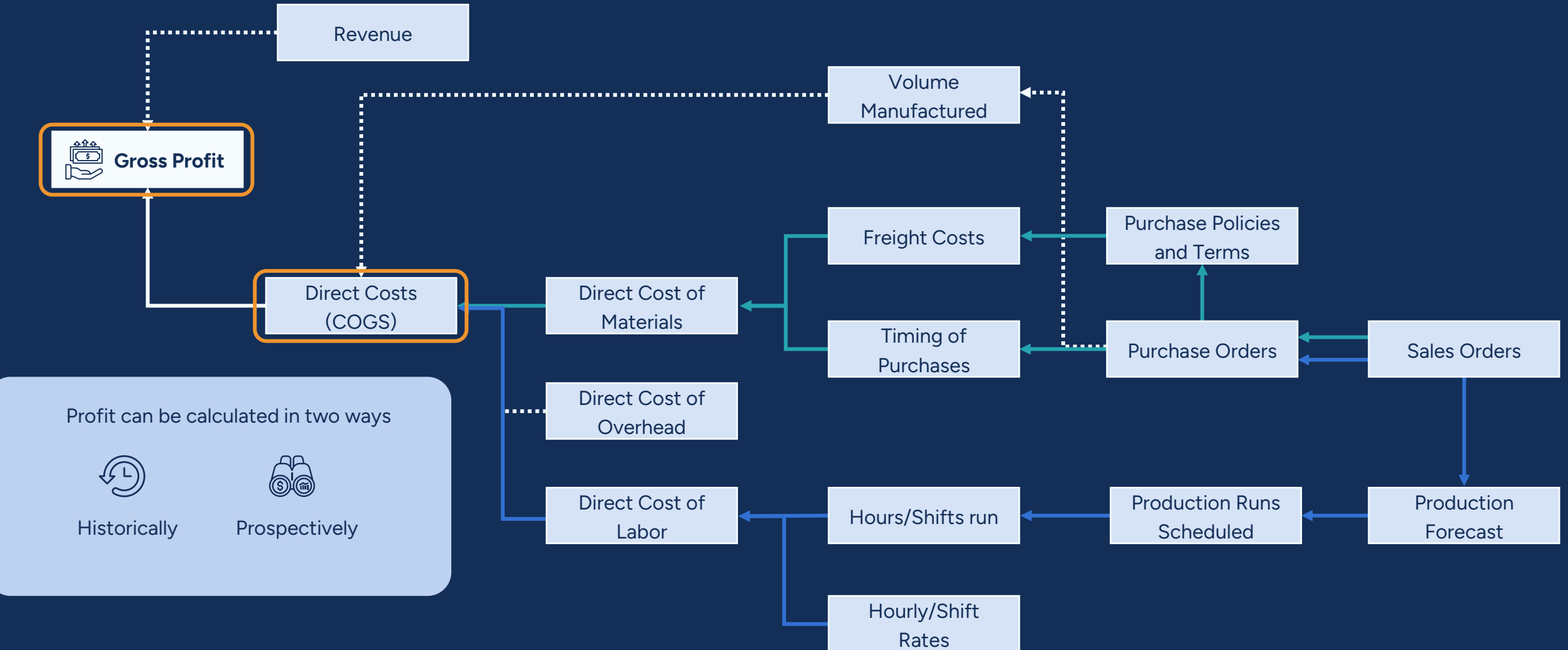
# Strategic Financial Planning and Analysis



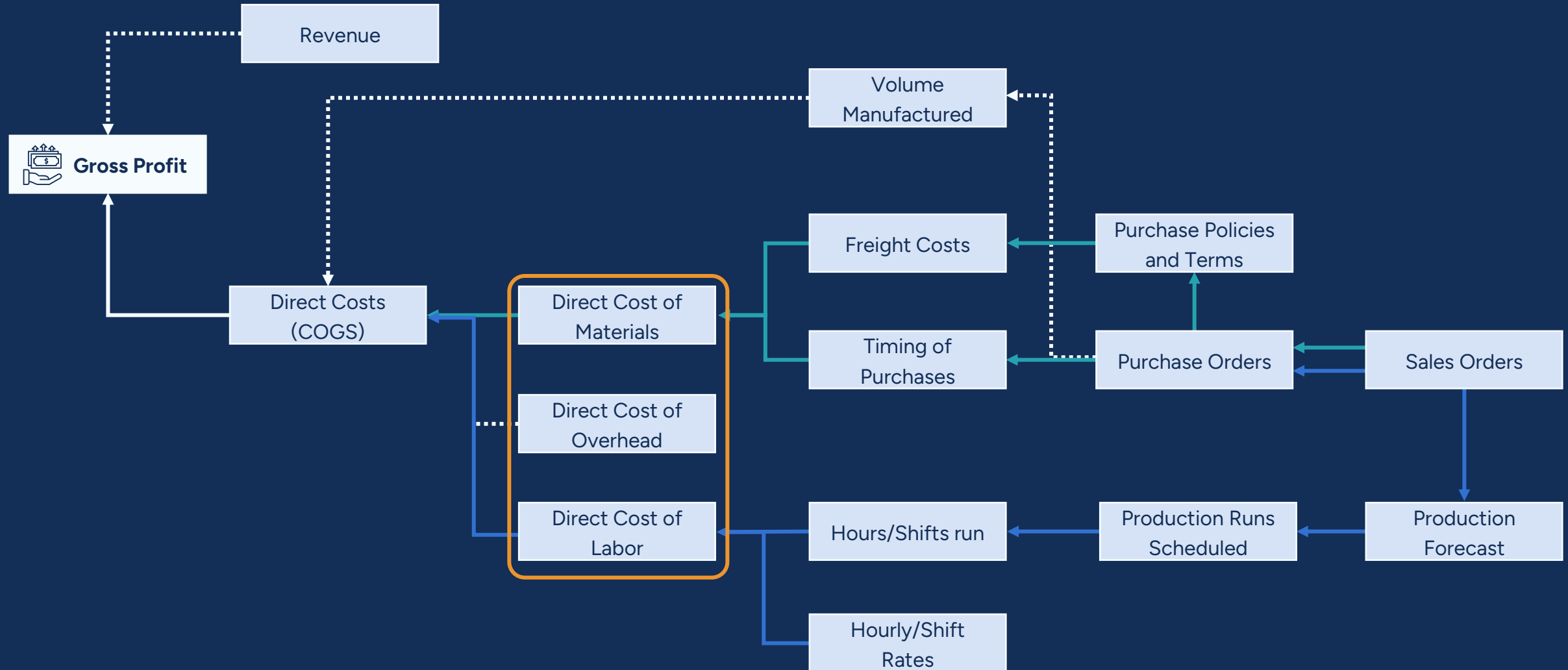
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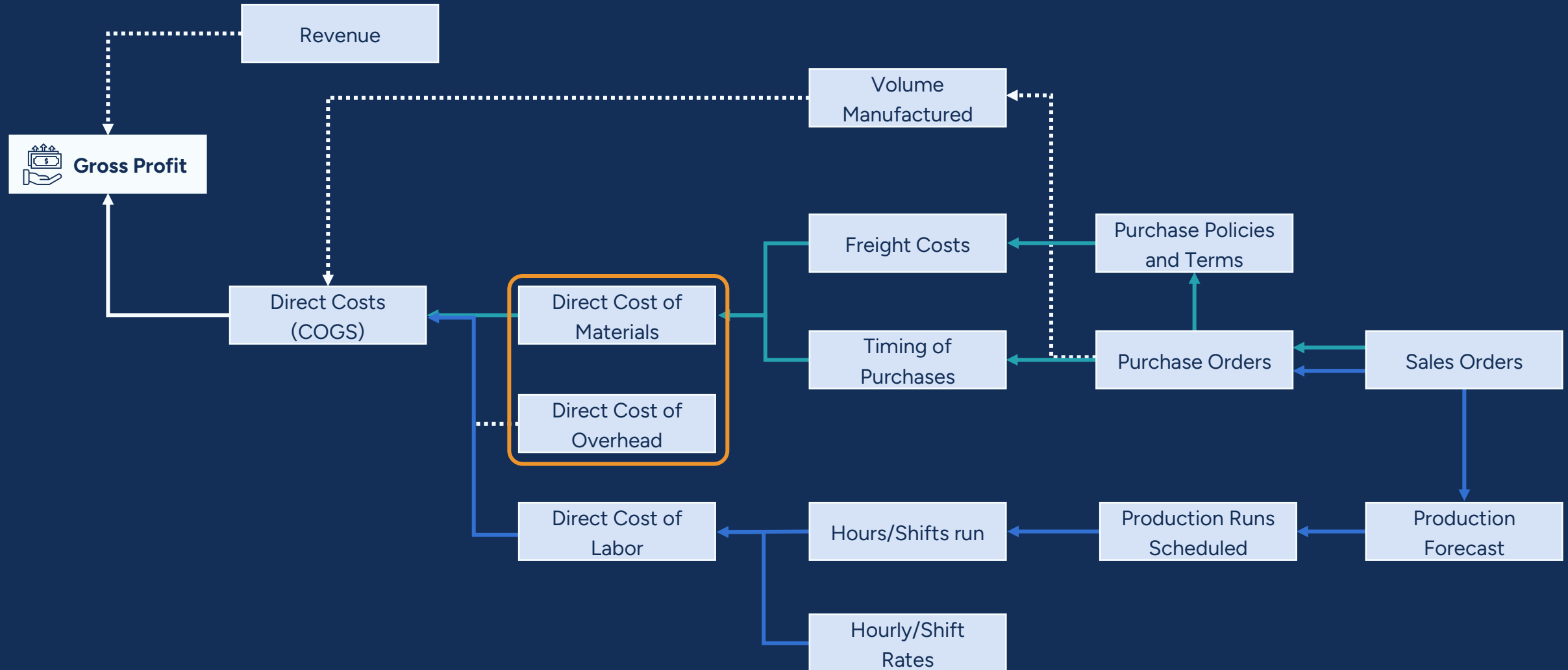
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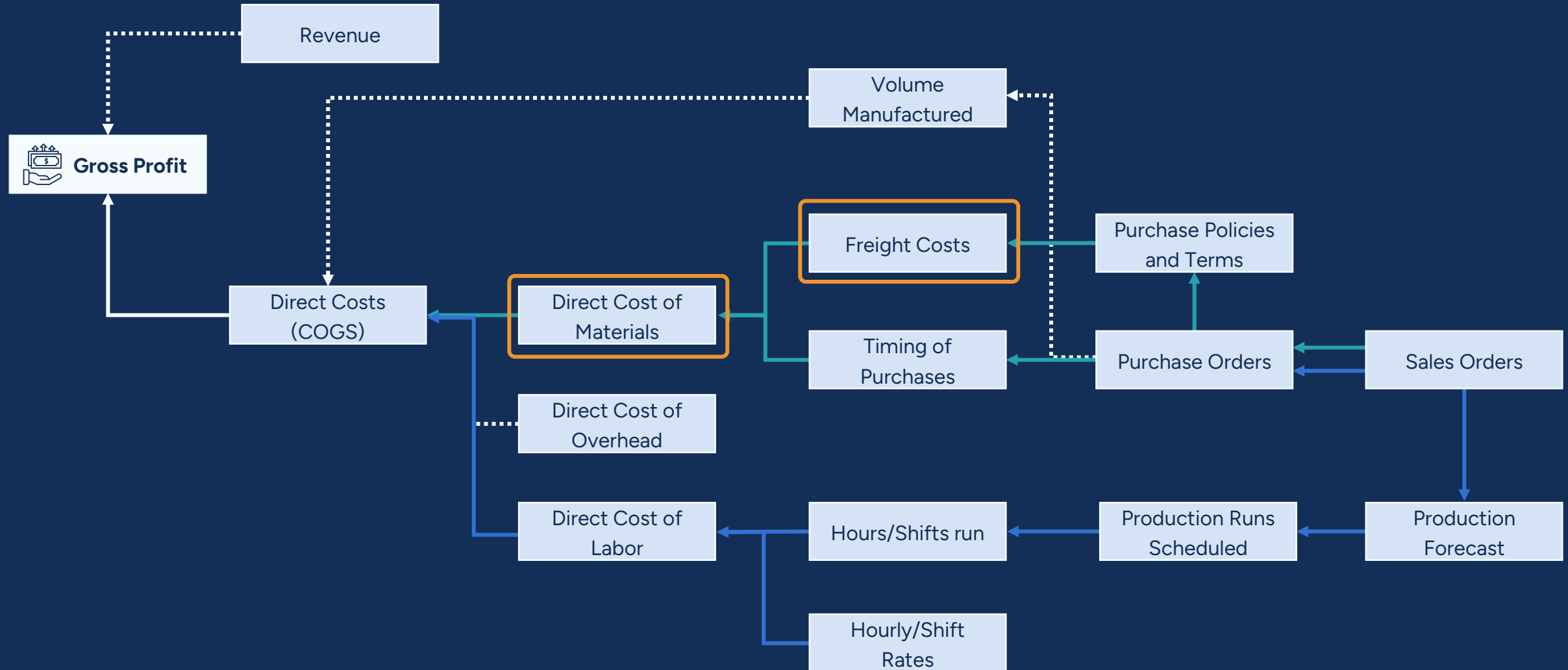


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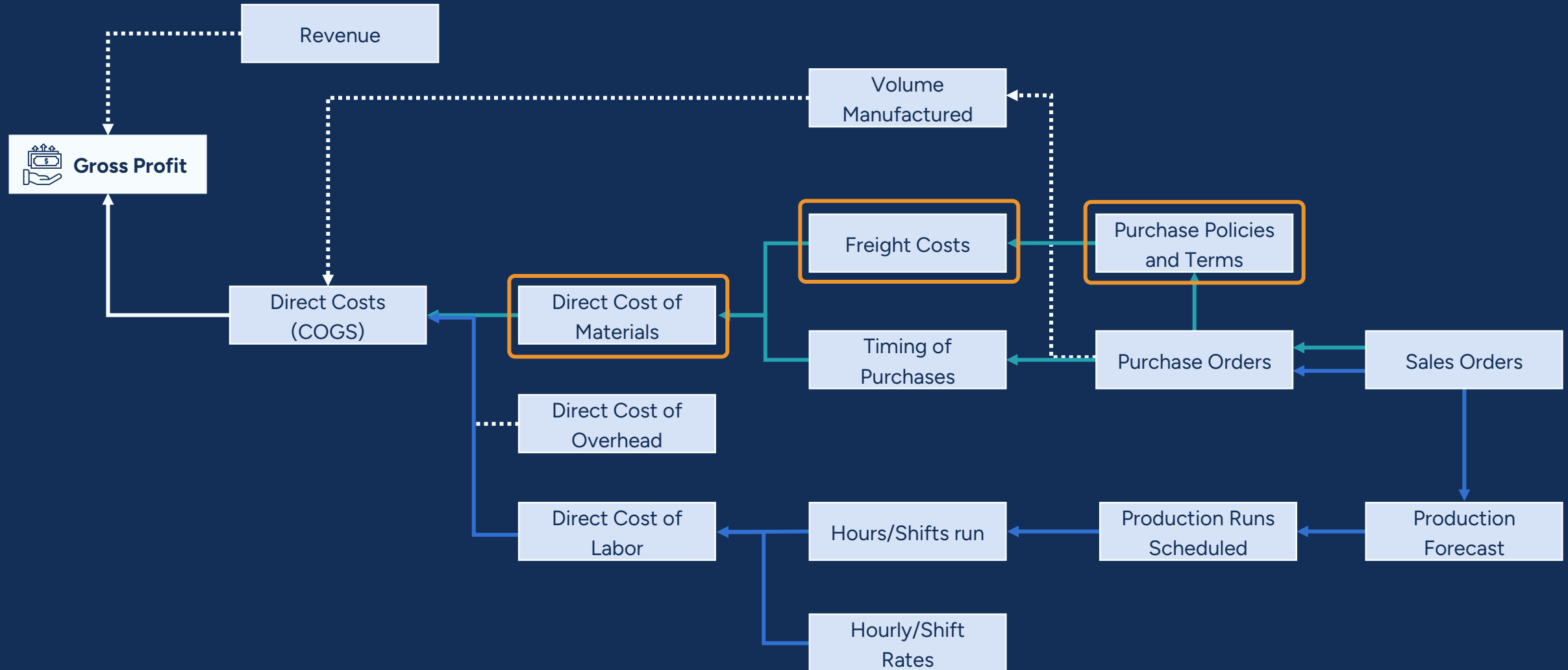




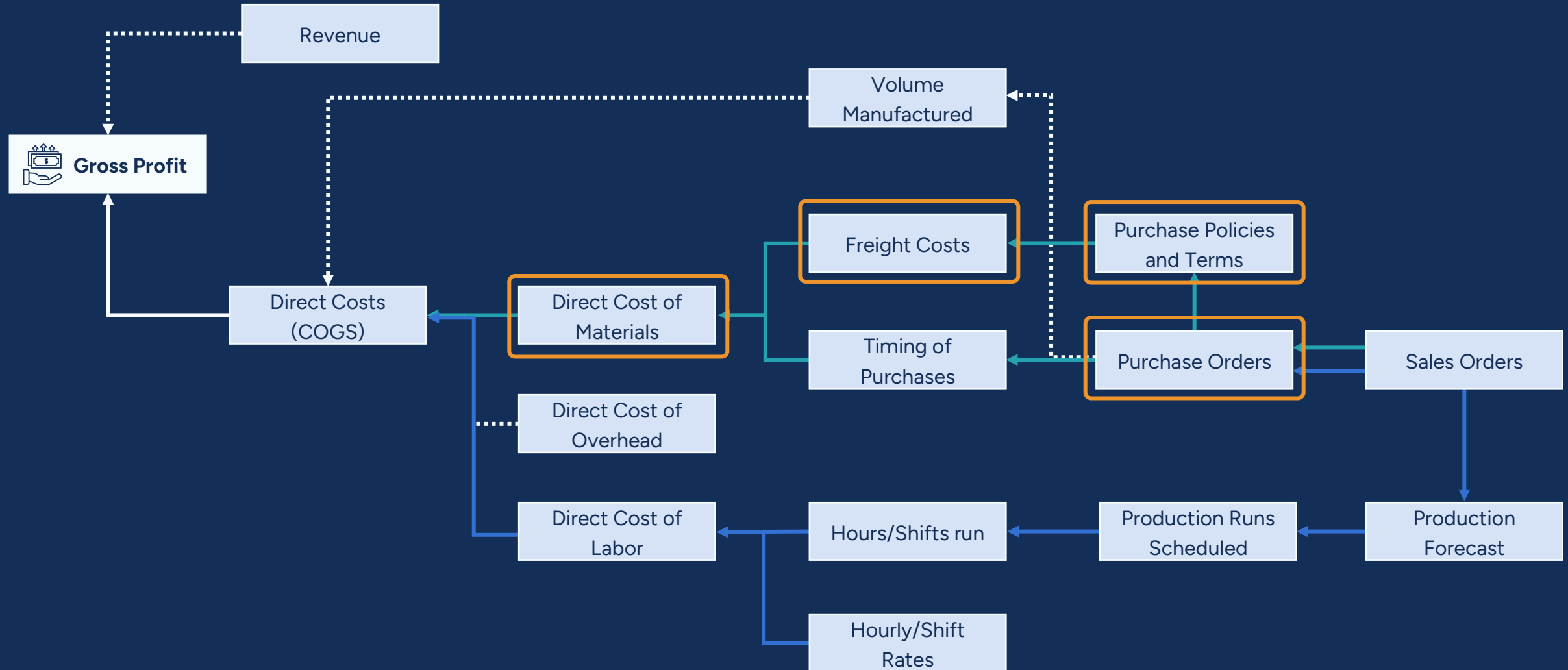
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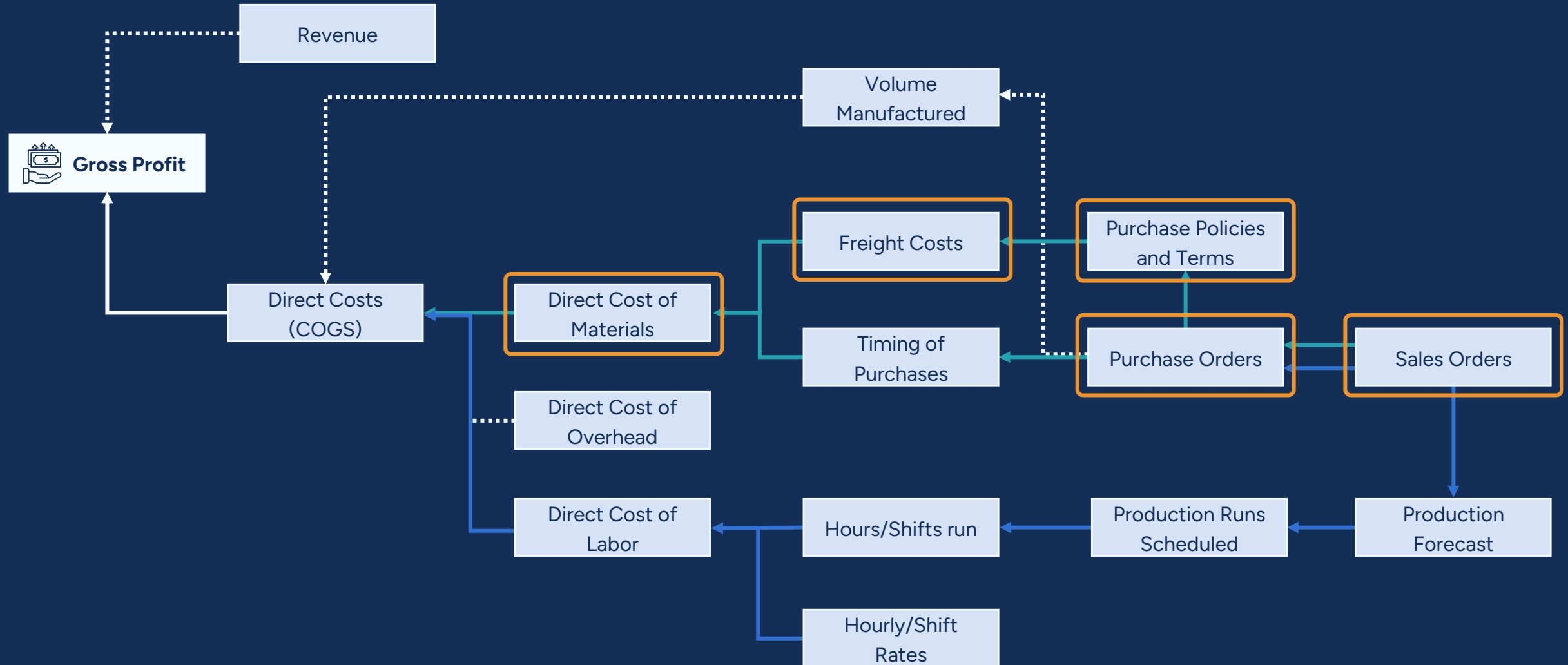
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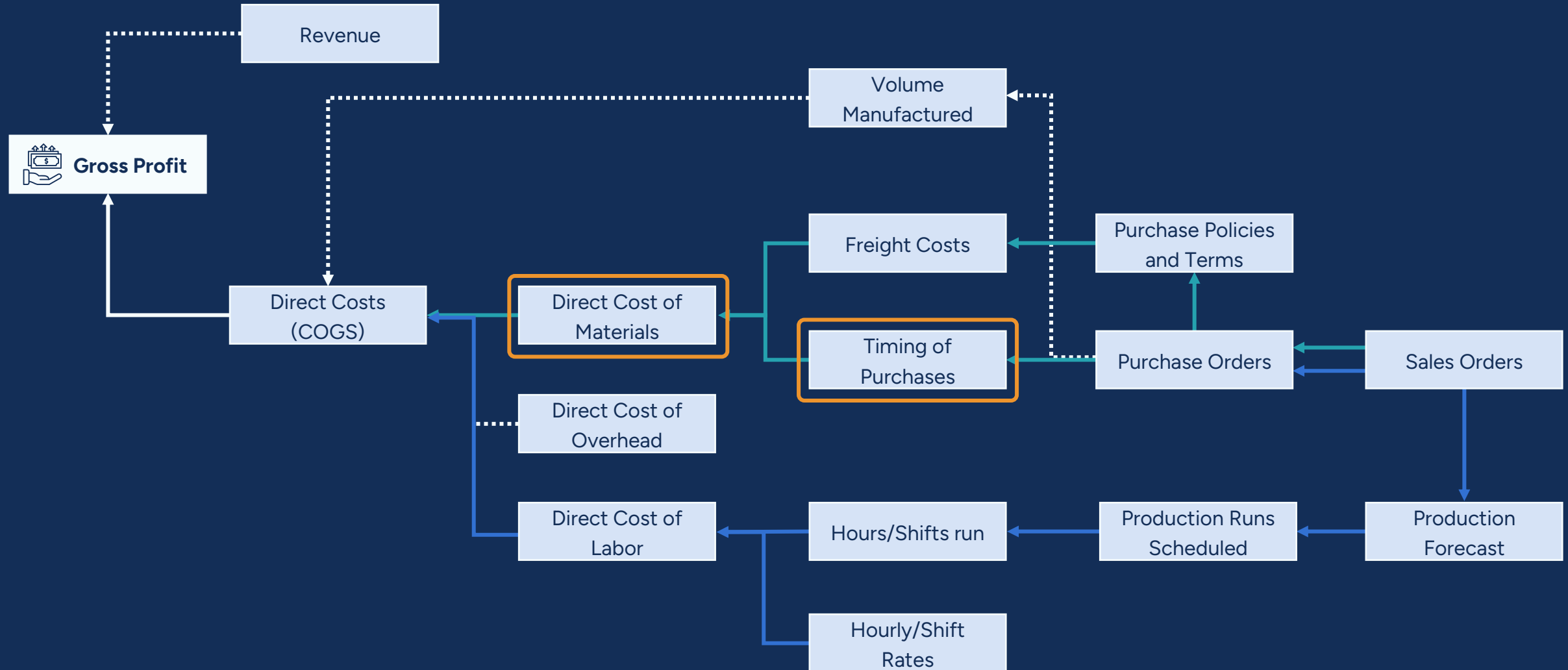
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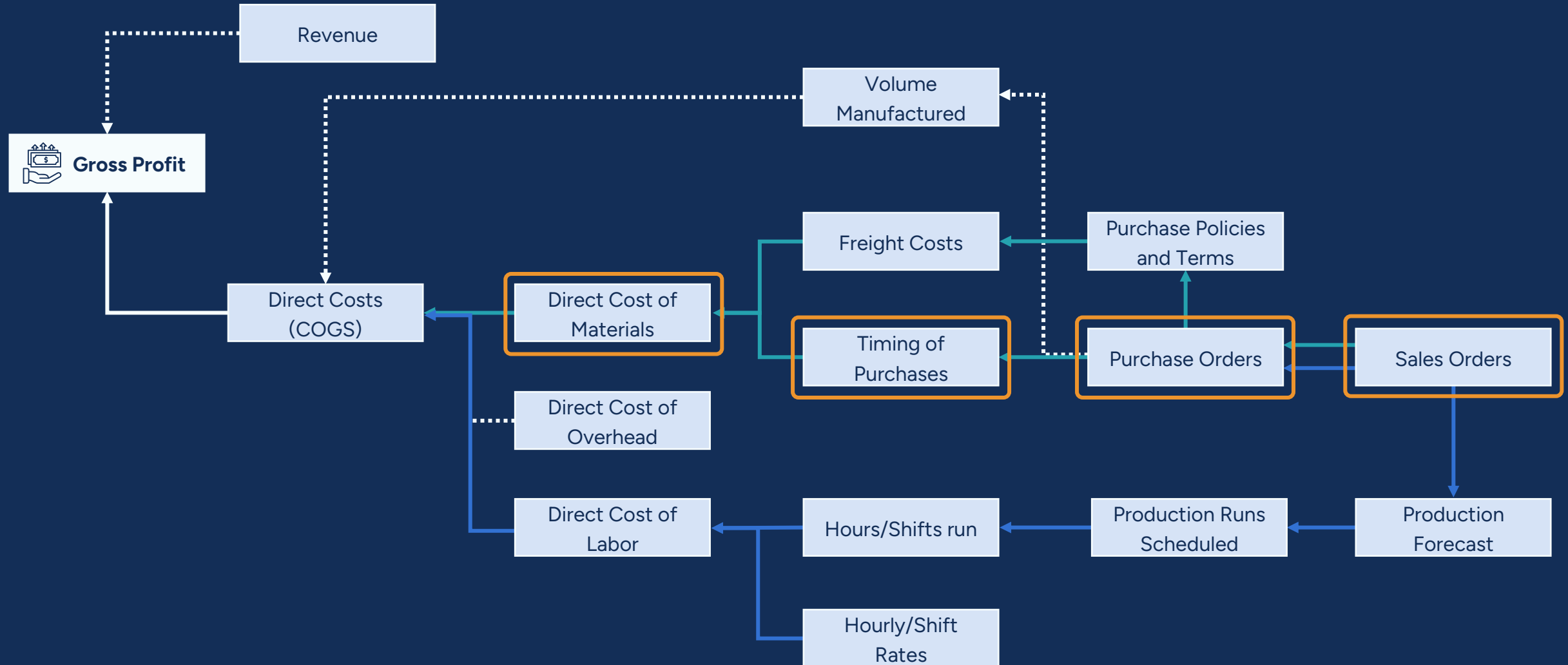
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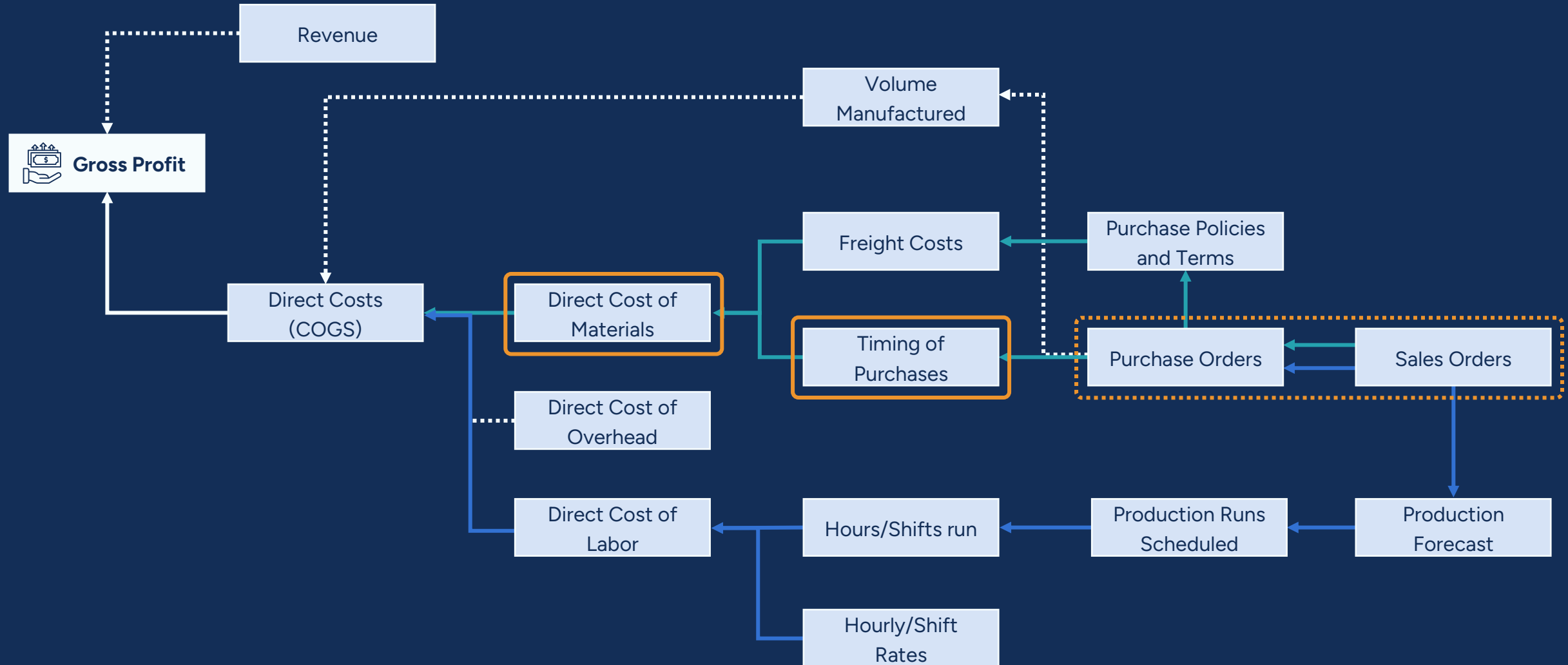
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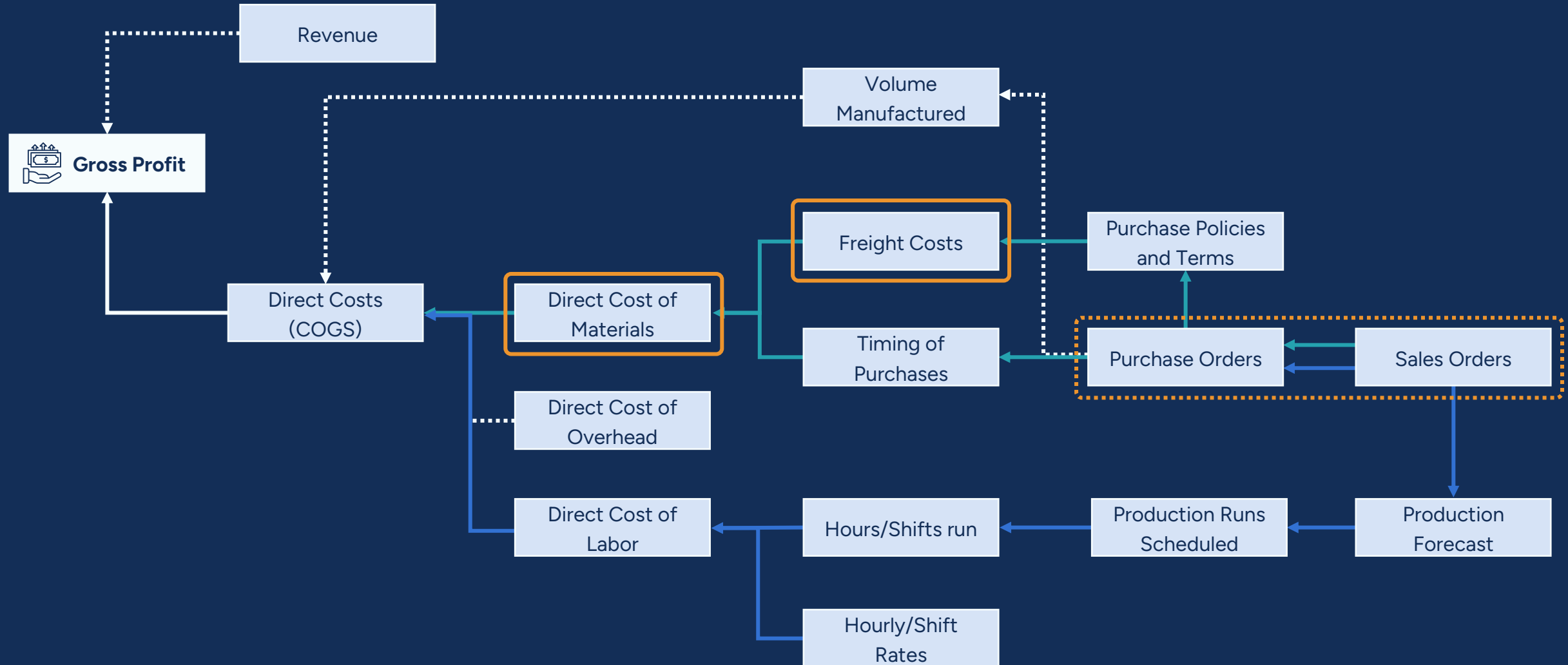
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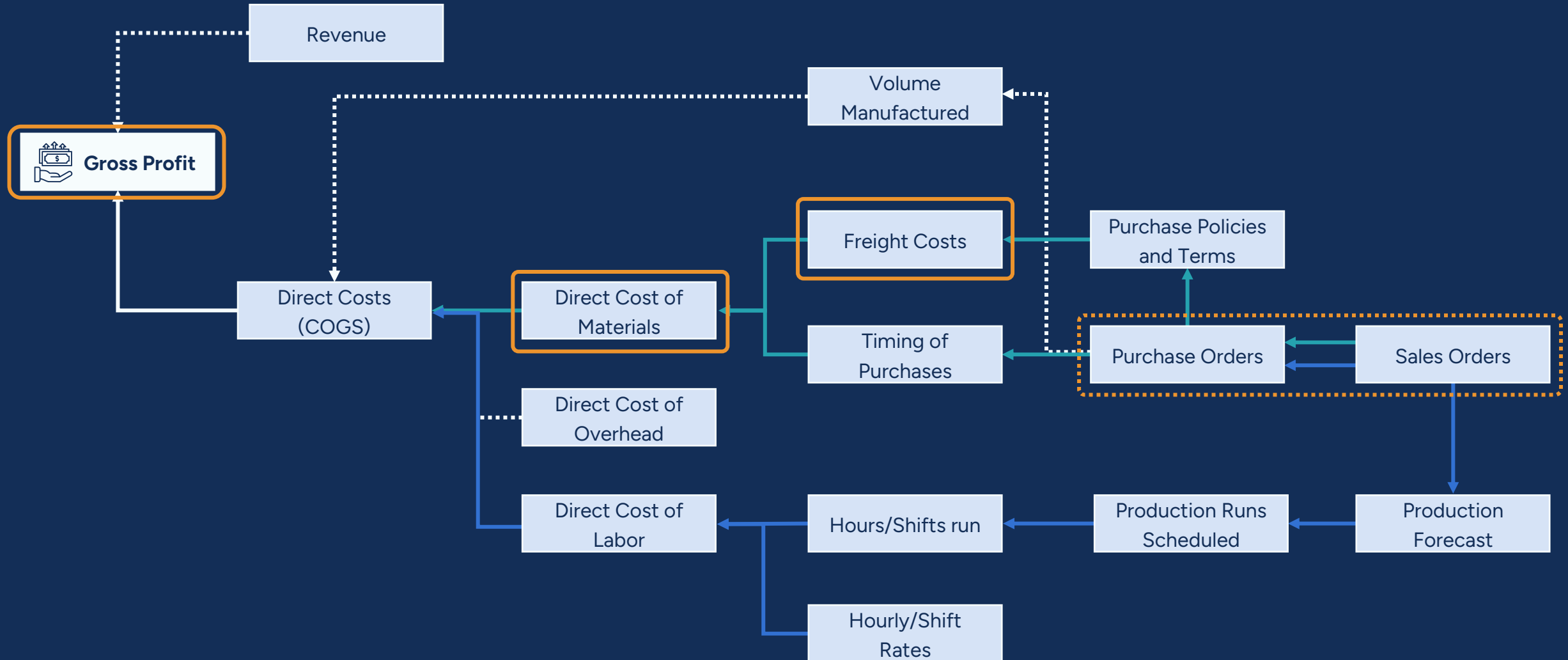


# Strategic Financial Planning and Analysis





# Strategic Financial Planning and Analysis



# Key Roles & Responsibilities of FP&A



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# Key Roles & Responsibilities of FP&A



FP&A and controllers collaborate on annual budgets, forecasts, and projections, which offers:

- ✓ A framework for growth and change
- ✓ How it impacts the numbers
- ✓ How the numbers impact the business
- ✓ What does the future of the business look like

# Key Roles & Responsibilities of FP&A



The best FP&A can do is to:

- ✓ Compile and analyze the data
- ✓ Present possibilities and likelihoods of the future while flexing and reviewing these assumptions periodically

# Scenario Feasibility, Projections, and 'What-If' Analysis

A new prototype will take approximately 15 months to be launched in the market. This process includes:

- ✓ Design
- ✓ Sourcing
- ✓ Manufacturing
- ✓ Marketing
- ✓ Logistics
- ✓ Financing



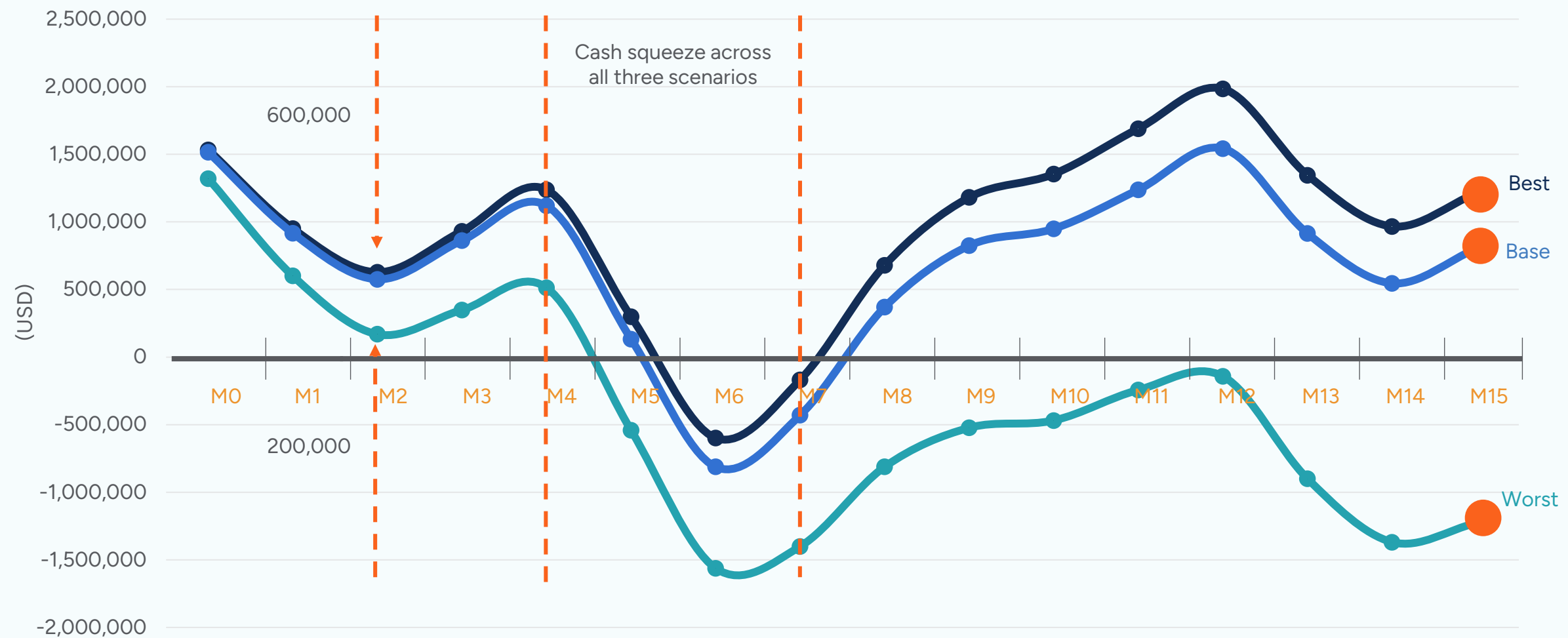
# Scenario Feasibility, Projections, and 'What-If' Analysis

FP&A presents the following 3 cases using what-if assumptions related to unit cost, fixed cost, volume, cash collection, payment, and other internal and external factors:

- ✓ A best case
- ✓ A base case
- ✓ A worst case



# Scenario Feasibility, Projections, and 'What-If' Analysis





# Scenario Feasibility, Projections, and 'What-If' Analysis

## If cost is higher

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FP&A works with design/operations/purchasing to build in greater efficiencies or reduce the raw materials cost.

## If sales volume is low

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FP&A might discuss options with sales and marketing to grow volume or increase prices.

## If payments look negative

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FP&A collaborates with point persons to negotiate terms with customers or ask suppliers for greater flexibility.

## If liquidity is weak

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FP&A collaborates with the CFO to obtain additional financing or might even scrap the project altogether.



# Scenario Feasibility, Projections, and 'What-If' Analysis

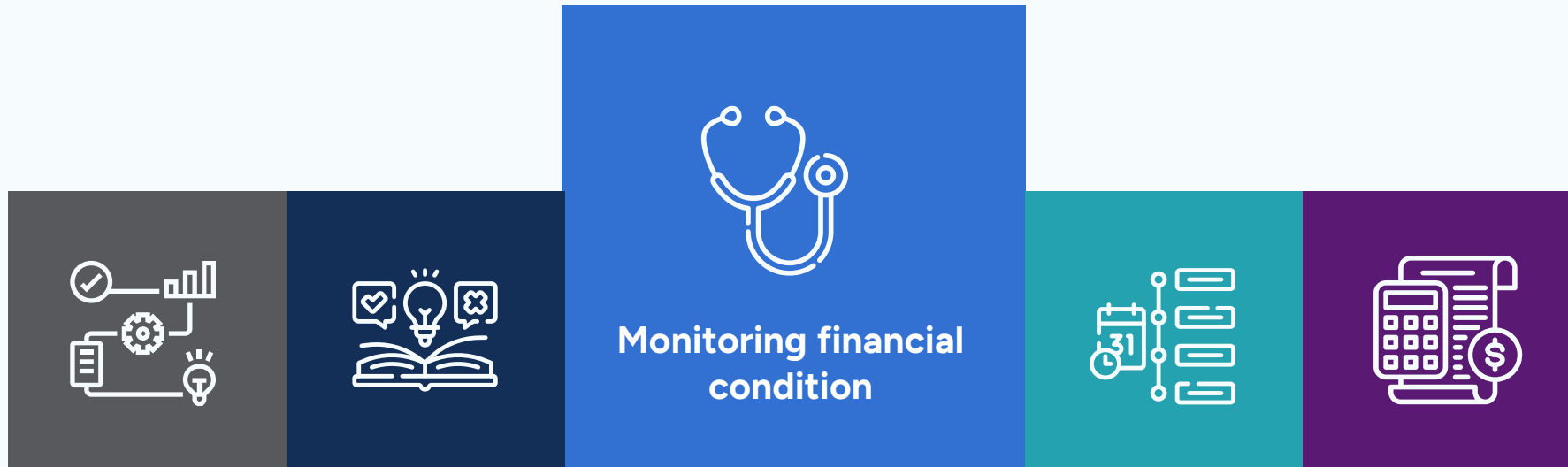


FP&A brings the greatest value by engaging with their business partners in meaningful discussions about the various levers that can be influenced across not just finance but operational, customer, process, and people factors.

# Key Roles & Responsibilities of FP&A



# Key Roles & Responsibilities of FP&A



# Key Roles & Responsibilities of FP&A



- FP&A involves an understanding of the root causes of financial health and distress, which includes:
  - ✓ Review of the financial statements, reports, dashboards, metrics, and ratios
- FP&A is responsible for taking its understanding of success and distress and relating it back to the strategic plan

# Key Roles & Responsibilities of FP&A



- FP&A collaborates with other business partners and encourages what's going well or suggests remedies for what's not

# Monitoring Financial Condition and Drivers

**EBITDA** (Earnings Before Interest, Taxes, Depreciation, and Amortization) is a common measurement of core operating profit as it peels away considerations for:

- ✓ Financing
- ✓ Fixed assets
- ✓ Taxes
- ✓ Intangibles



# Monitoring Financial Condition and Drivers

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# Monitoring Financial Condition and Drivers

Net negative variance - \$42M

Total negative variance - \$51.3M

Positive variance - \$9.5M



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# Monitoring Financial Condition and Drivers

Key line items above EBITDA should be examined to identify the drivers.

**Volume** – 64% of negative variance



# Monitoring Financial Condition and Drivers



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# Monitoring Financial Condition and Drivers

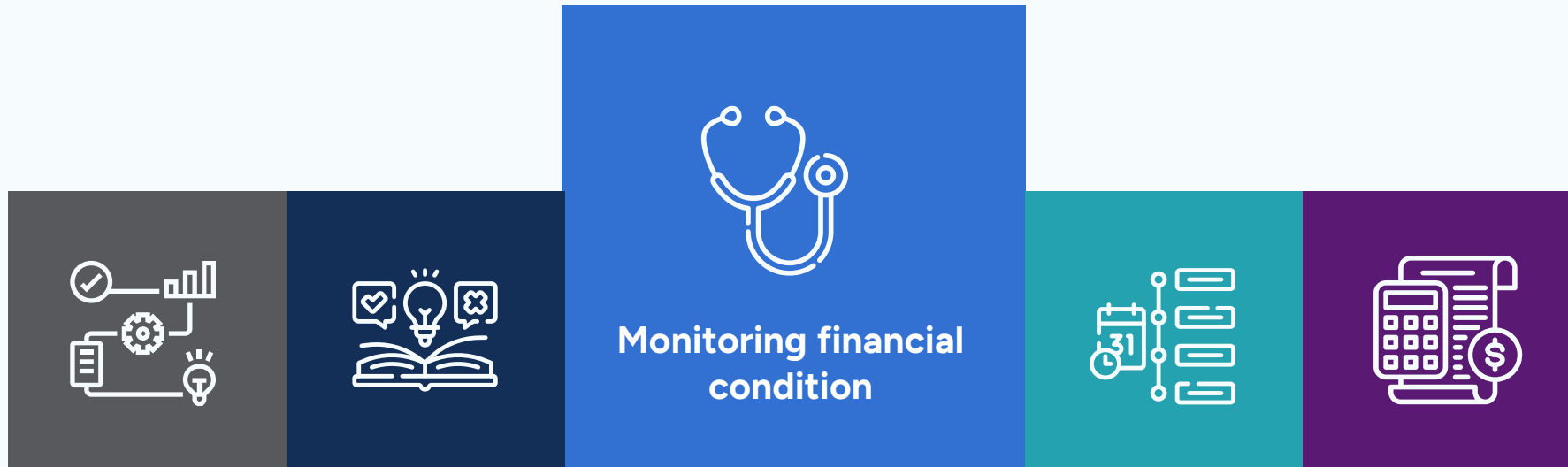


# Monitoring Financial Condition and Drivers

- FP&A can bring a **more analytical mindset** that goes beyond reporting and analysis
- FP&A can help us **identify root causes**
- FP&A **propose resolutions** to help address these challenges



# Key Roles & Responsibilities of FP&A



# Key Roles & Responsibilities of FP&A



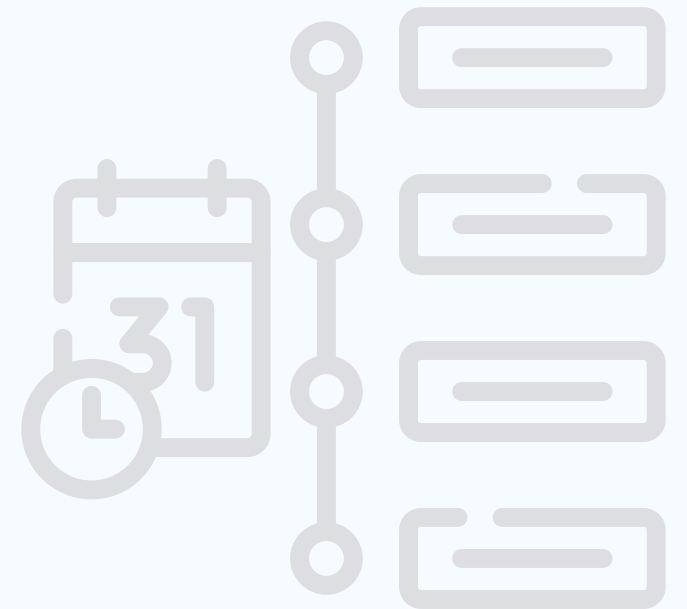
# Key Roles & Responsibilities of FP&A



- Project Management and capital expenditures:
  - ✓ FP&A works with various other departments to help them gain a better understanding of the risks, benefits, and implications of their spending

# Capital Project Planning and Management

FP&A collaborates with department leaders to ensure that the forecasts include all the pertinent information and model the cash flows, benefits, costs, and expenses under different scenarios.



# Capital Project Planning and Management

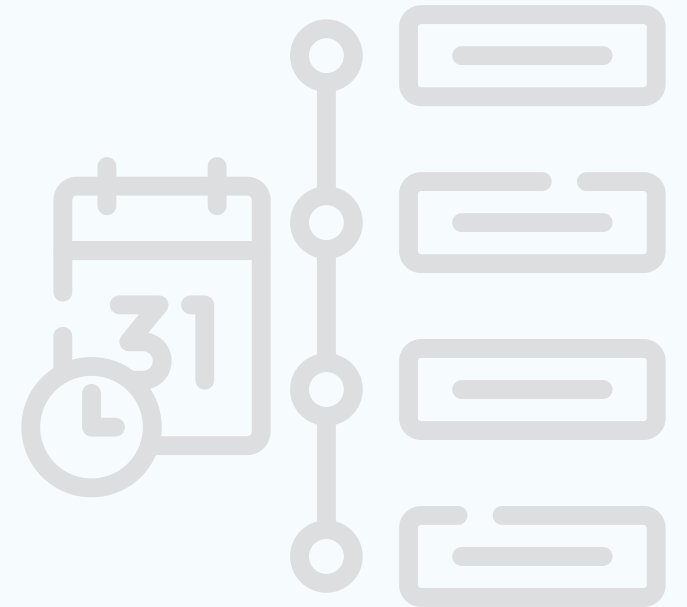
	2023	2024	2025	2026	2027	Total
Incremental Revenue	1,200,000	1,320,000	1,452,000	1,597,200	1,756,920	7,326,120
<b>Costs/Expenses</b>						
COGS	110,000	528,000	580,800	638,880	702,768	2,560,448
Design	120,000	132,000	145,200	159,720	175,692	732,612
Engineering	75,000	75,000	150,000	150,000	150,000	600,000
Salaries	175,000	227,500	295,750	384,475	499,818	1,582,543
Marketing	23,000	25,000	38,000	50,000	56,500	192,500
Other admin	144,000	158,400	174,240	191,664	210,830	879,134
<b>Total Costs</b>	<b>647,000</b>	<b>1,145,900</b>	<b>1,383,990</b>	<b>1,574,739</b>	<b>1,795,608</b>	<b>6,547,237</b>
<b>EBITDA</b>	<b>553,000</b>	<b>174,100</b>	<b>68,010</b>	<b>22,461</b>	<b>(38,688)</b>	<b>778,883</b>
Core Investment: 315,000	Net Present Value					374,028
	Modified Internal Rate of Return (MIRR)					18.24%
	Payback Period					0.57 years



# Capital Project Planning and Management

FP&A collaborates with department leaders to ensure that the forecasts include all the pertinent information and model the cash flows, benefits, costs, and expenses under different scenarios.

- ✓ Strategic alignment of rolling out a new product
- ✓ Landing a new key account
- ✓ Exploring a new market or geography



# Capital Project Planning and Management

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Other admin	144,000	158,400	174,240	191,664	210,830	879,134
Total Costs	647,000	1,145,900	1,383,990	1,574,739	1,795,608	6,547,237
EBITDA	553,000	174,100	68,010	22,461	(38,688)	778,883
					Net Present Value	374,028
Core Investment: 315,000					Modified Internal Rate of Return (MIRR)	18.24%
					Payback Period	0.57 years

# Capital Project Planning and Management

	2023	2024	2025	2026	2027	Total
Incremental Revenue	1,200,000	1,320,000	1,452,000	1,597,200	1,756,920	7,326,120
<b>Costs/Expenses</b>						
COGS	110,000	528,000	580,800	638,880	702,768	2,560,448
Design	120,000	132,000	145,200	159,720	175,692	732,612
Engineering	75,000	75,000	150,000	150,000	150,000	600,000
Salaries	175,000	227,500	295,750	384,475	499,818	1,582,543
Marketing	23,000	25,000	38,000	50,000	56,500	192,500
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# Key Roles & Responsibilities of FP&A



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# Key Roles & Responsibilities of FP&A



- Accountants have a foundational understanding of the numbers within a business:
  - ✓ Financial accounting focuses on financial statements and compliance
  - ✓ Managerial accounting focuses on information to help run the company effectively

# Managerial and Cost Accounting

## Managerial Accounting

- Used to assist managers in strategic planning, risk management, development of performance management systems, process improvement, and related decision-making
- Focuses on capital and operational budgeting, break-even analysis, and profit-enhancement

## Cost Accounting

- Concerned with the assessment of cost and allocation rates, including accumulation of material, labor, and overheads
- Valuation of inventory for internal and external reporting

# Managerial and Cost Accounting

Managerial Accounting

Cost Accounting

**They play a critical role which brings accounting analysis under FP&A**

# How Companies Benefit From a Formal FP&A Function

# Which Companies Benefit Most From FP&A





# Which Companies Benefit Most From FP&A



**Small business**  
< 25 Million



# Which Companies Benefit Most From FP&A



**Small business**  
< 25 Million



**Large corporates**  
> 1 Billion



# Which Companies Benefit Most From FP&A



**Small business**  
< 25 Million



**Mid-market**  
25 Million – 1 Billion



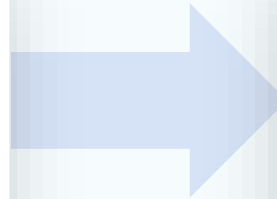
**Large corporates**  
> 1 Billion



# Which Companies Benefit Most From FP&A



Small businesses rarely have any FP&A functions despite Controllers/accountants performing FP&A duties



Large businesses have hundreds of professionals with many automated processes



Every company benefits from a robust finance function, whether it is private or public, in financial services or in industry, whether U.S. based or international.



# Which Companies Benefit Most From FP&A

Aerospace	Engineering & Design	Pharmaceuticals
Automotive	Financial Services	Professional Services
Banking	Food & Beverage Services	Real Estate
Construction	Health Care & Nursing Homes	Restaurants
Consumer Products	Hospitality & Leisure	Retail
Government	Industrial Products	Software and Technology
Contracting	Insurance	Steel Fabrication
Distribution	Manufacturing	Telecommunications
Energy	Oil & Gas	Transportation & Logistics



# Modern FP&A vs. Traditional Corporate Finance

L1

## Immature and Fractured

- ✓ Works on accounting, reporting, capital raises
- ✓ No core focus on FP&A
- ✓ Basic accounting system
- ✓ Not intended for forecasting and analytics



# Modern FP&A vs. Traditional Corporate Finance

L1

## Immature and Fractured

- ✓ No titled position for a person who performs FP&A tasks
- ✓ FP&A function helps the company analyze and make integral decisions



# Modern FP&A vs. Traditional Corporate Finance

## Immature and Connected

L2

- ✓ Connectivity within the company systems is a must
  - APIs or other integrations help company systems to connect and speak with each other effectively





# Modern FP&A vs. Traditional Corporate Finance

## Mature and Connected

L3

- ✓ These companies have dedicated FP&A function
  - May lack cohesiveness
- ✓ Seamlessly integrated systems allow forecasting, budgeting, and other department's data in one single location



# Modern FP&A vs. Traditional Corporate Finance

L4

## Mature and Integrated

- ✓ These companies have robust integrated systems across all departments
- ✓ Tremendous speed helps extract data quickly and ensures a single source of truth





# Traditional Finance & FP&A vs. Future Finance & FP&A

## Traditional FP&A and Corporate Finance



- Reactive mindset
- Cost and process focused



Managers focused on reporting the numbers and responding to information requests



Excel and enterprise resource planning (ERP) heavy

## Future FP&A and Corporate Finance



- Proactive mindset
- Strategy focused



Partners focused on modeling, scenario analysis, problem-solving, opportunity, and risk management



- Excel and Google Sheets
- Enterprise Resource Planning and Enterprise Performance Management
- Business Intelligence and Business Analytics
- Machine Learning and Artificial Intelligence

# Key Skills for FP&A Professionals

# Necessary Technical FP&A Skills

1

Accounting, Finance, and Economic Concepts

2

3

4

5

6

- ✓ FP&A must interpret the financials
- ✓ Must have an understanding to vet the numbers and interpret them
- ✓ Modeling assumptions must make economic sense

# Necessary Technical FP&A Skills

1

Accounting, Finance, and Economic Concepts

2

Data Analysis

3

4

5

6

A strong familiarity is required with systems, data flow, data warehousing, database query language, and data analysis

# Necessary Technical FP&A Skills

1

Accounting, Finance, and Economic Concepts

2

Data Analysis

3

Advanced Financial and Business Modeling

4

5

6

- ✓ Microsoft Excel and Google Sheets are the best modeling software
- ✓ An in-depth understanding of modeling software is an asset that can be used to make better managerial decisions
- ✓ The ultimate objective is to generate powerful yet flexible and user-friendly business models



# Necessary Technical FP&A Skills

1

Accounting, Finance, and Economic Concepts

2

Data Analysis

3

Advanced Financial and Business Modeling

4

Forecasting, Projecting, and Budgeting

5

6

- ✓ Involves managing historical facts and figures, current circumstances, and future assumptions
- ✓ Quantify resources required to execute the future growth
- ✓ FP&A is responsible for designing forecasts which will allow seamless changes to assumptions to make the forecast rolling

# Necessary Technical FP&A Skills

1

Accounting, Finance, and Economic Concepts

2

Data Analysis

3

Advanced Financial and Business Modeling

4

Forecasting, Projecting, and Budgeting

5

Strategic Finance

6

- ✓ Effective strategic planning helps the company reach its goals
- ✓ FP&A is responsible for identifying key drivers and ensuring ideas make their way into the feasible financial plan

# Necessary Technical FP&A Skills

1

Accounting, Finance, and Economic Concepts

2

Data Analysis

3

Advanced Financial and Business Modeling

4

Forecasting, Projecting, and Budgeting

5

Strategic Finance

6

Industry, Institutional, and Economic Familiarity

FP&A must have an understanding of the:

- ✓ Products
- ✓ Customers
- ✓ Suppliers' needs
- ✓ Trends
- ✓ Terminology
- ✓ Industry competition
- ✓ Unique nuances

# Necessary Non-Technical FP&A Skills

1

Exceptional communication skills

2

Objective and unbiased

3

Assertive yet approachable

4

Neither overly optimistic nor pessimistic

5

Well-organized and process-driven

6

Ability to manage multiple projects



## Necessary Non-Technical FP&A Skills

7

Appetite for problem-solving

8

Detail-oriented and big-picture thinking

9

Analytical and creative-thinking



# Necessary Non-Technical FP&A Skills



- Develop exceptional financial professionals
- Include in cohesive financial cultures
- Provide support and resources as required

Helps drive your business forward through effective financial planning and analysis.

# Course Summary

# Summary



FP&A is a rapidly-growing and important role within the finance function



It is considered by CFOs to be one of the most underperforming



FP&A focuses on collaboration between finance + strategy and non-financial + data-driven functions



Companies lacking a strong FP&A function are more likely to be exposed to risk and miss opportunities unnecessarily